



Director of
Central
Intelligence

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UK-ARGENTINA: Mediation at Critical Stage

//The effort to secure a negotiated settlement of the Falkland dispute has reached a crucial point. Buenos Aires has apparently backed away somewhat from its rigid position, but its new proposals have received a chilly initial response from London. The two sides, meanwhile, continue to strengthen their military capabilities amid reports that advance units of the British fleet are now south of Ascension Island.//

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//Argentine officials did an about-face yesterday and expressed optimism that a solution to the crisis can be found. They based their comments on a new formula submitted to Secretary of State Haig for transmission to London. According to the Argentine press, the plan calls for a transitional Anglo-Argentine administration lasting until December 1982 and overseen by the US.//

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//Negotiations over sovereignty would proceed without "delays or subterfuges," perhaps under the auspices of the UN. There are speculations in the press that the proposal also called for the Argentine flag to fly alone over the islands after 31 December regardless of the status of negotiations.//

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Foreign Minister Costa Mendez, meanwhile, has asked for a meeting today of the OAS with the aim of invoking the 1947 Rio Treaty. The Argentine representative to the OAS linked the request to the continued progress of the British fleet and the threat it posed to Argentina. The meeting today of the permanent counsel will be asked to decide if there is a basis for a meeting of OAS foreign ministers who would discuss measures to be taken if the British were to attempt to retake the Falklands by force.

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Comment: //Buenos Aires may now be willing to acquiesce in less than British acceptance of Argentine sovereignty over the islands as a precondition for withdrawal of troops and renewal of negotiations. On the other hand, the Argentines may be giving the impression that they are flexible to put the UK on the diplomatic defensive.//

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//The request for an OAS meeting probably reflects concern in Argentina that London will find Buenos Aires's proposals unacceptable and will move militarily. The Argentines believe that most Third World countries would align themselves with Buenos Aires. Latin American countries probably will not lend much military assistance, but Buenos Aires hopes that such gestures of support will project an image of solidarity and thereby weaken the UK's bargaining position.//

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British Attitudes Toward Negotiations

//Prime Minister Thatcher stated that the proposals Secretary Haig has transmitted from Buenos Aires "at first sight do not meet" British requirements. Thatcher is not expected to make a definitive statement until she meets with her full cabinet later today upon Foreign Secretary Pym's return from an EC Foreign Ministers' meeting in Brussels.//

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Comment: //Thatcher's initial comments suggest London may ask for additional concessions from the Argentines rather than reject their offer altogether. The Prime Minister will be closely questioned in Parliament, and she must continue walking a fine line between demonstrating that she is open to compromise while not retreating from London's fundamental demands--Argentine withdrawal and self-determination for the Falklands.//

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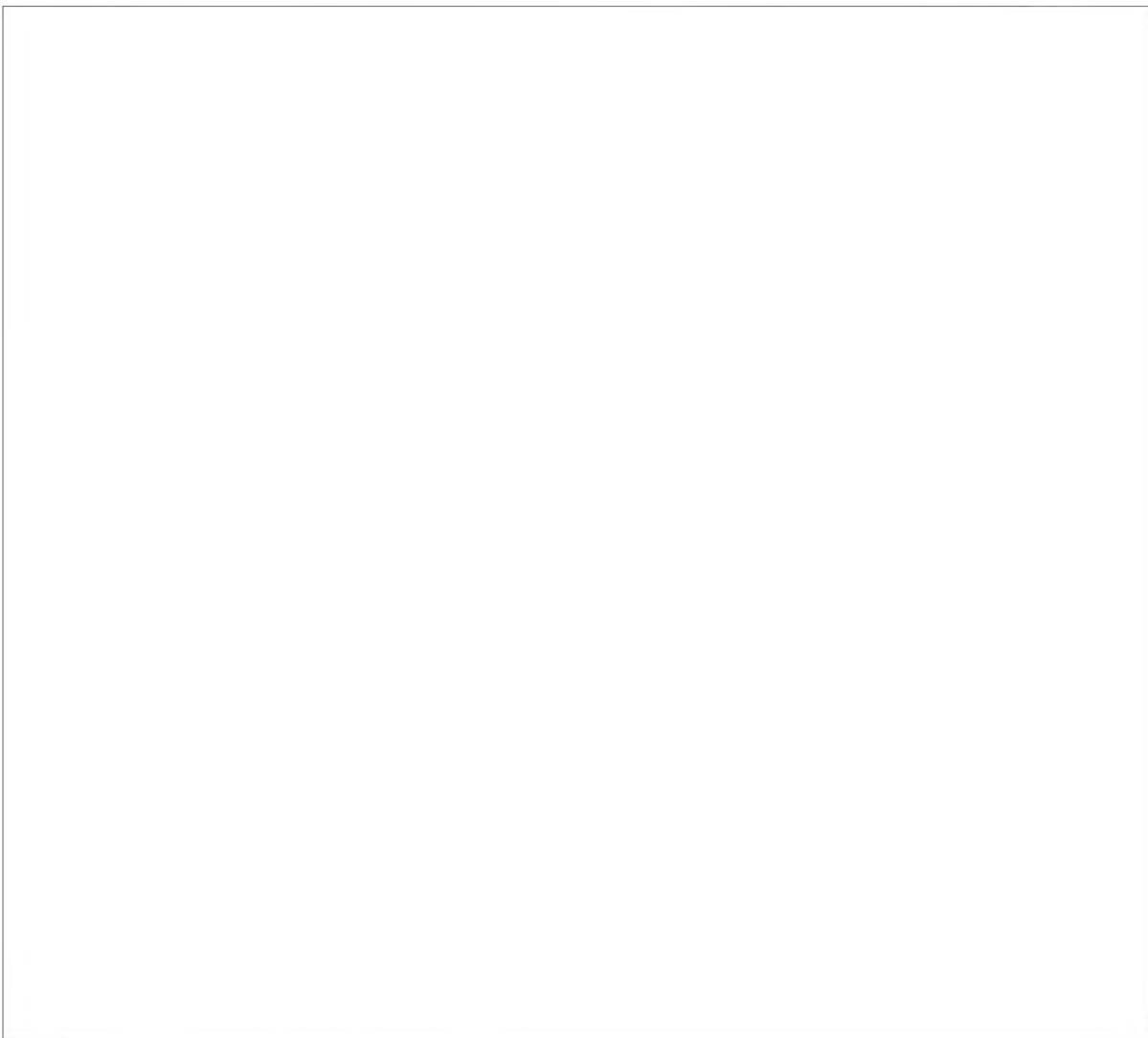
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British Military Activity

Press reports indicate that some ships of the British task force have passed Ascension Island, but that Ministry of Defense spokesmen refuse to give precise locations. The spokesmen alluded to further attempts to build up the task force, including sending another 1,000 additional troops to it, requisitioning three more civilian ships, and reconfiguring Vulcan bombers for conventional use in the South Atlantic.

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Comment: //This latest augmentation is intended to exert additional pressure on Buenos Aires to back down. Barring that, its aim is to improve the chances for a military victory.//

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EL SALVADOR: Unease in the Armed Forces

//Defense Minister Garcia, concerned over preserving military unity and his own political aspirations, appears increasingly anxious to have the US assume the major role in mediating a political settlement between the Christian Democrats and the rightist parties.//

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//Garcia reportedly has warned US officials that the rightist parties--despite the high command's insistence on a government of national unity--may attempt to install Roberto D'Aubuisson as provisional president. Garcia notes that the armed forces are growing frustrated by the political impasse, and he is suggesting a meeting among political leaders, the military, and high-ranking US officials as the best way to resolve the deadlock.//

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Comment: //Garcia's warning underscores the dilemma he faces in maintaining the unity of the military. He and other pragmatic officers realize that a rightist government would endanger Western political and military support, but he also fears that increased pressure on the rightist parties by the high command could cause resentment among the more conservative military elements.//

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//The Defense Minister probably hopes that direct US involvement would increase the chances of a major Christian Democratic role in the provisional government, which would help to protect his own political aspirations. Despite his conservative sympathies, Garcia realizes that a rightist interim executive could postpone national elections for at least two or three years, thereby setting back his own presidential ambitions. Moreover, a government headed by a former military officer such as D'Aubuisson could threaten his control of the armed forces.//

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ITALY: Growing Political Problems

//Political tensions within the five-party Spadolini government may be close to a crisis point.//

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//Relations between the Christian Democrats and the Socialists--the principal parties of the coalition--have deteriorated over the past several weeks. The Socialists boycotted the cabinet meeting yesterday and have called for the resignation of Christian Democratic Treasury Minister Andreatta, claiming he insulted them in a speech last weekend.//

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Comment: //The key issue is control of the center-left governing formula. The Christian Democrats are anxious to regain the premiership, but party leaders are convinced that the party will not be ready to face general elections before the fall. Fearing a crisis that could lead to elections this spring, they have refused to hold interparty talks on the future of the government until conclusion of their congress in early May.//

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//Socialist leader Craxi has long since tired of playing the Christian Democrats' waiting game. Fearing that he will lose momentum, he has been looking since the fall for an issue that would allow him to touch off a crisis and open the way for his appointment as Prime Minister or early parliamentary elections. Ideally, the issue also would allow him to escape the onus for initiating a period of governmental instability.//

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//The Christian Democrats' congress, however, could easily produce a leader and a party line hostile to the Socialists or committed to supporting Spadolini indefinitely, or both. If Craxi has reached that conclusion, he also may have concluded that it is no longer in the Socialists' interest to perpetuate the current arrangement. As a result, he may see the Andreatta affair as an opportunity to bring down the government and force elections in June.//

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SPAIN: Basque Terrorist Campaign

//Basque terrorists have launched what appears to be an all-out campaign against the government, but they probably will fail to topple Spain's fraaile democracy or to radicalize Basque opinion against Madrid.//

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//The radical military wing of the ETA terrorist organization recently carried out its most wide-ranging series of attacks in months. The terrorists killed a Basque informer, attacked Spanish police and military personnel in the Basque area and in Barcelona, and bombed the central telephone exchange in Madrid. [redacted]

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Comment: //The terrorists are trying to exploit the political climate, which is tense as a result of the trial of coup plotters, the instability of the minority government, the prospect of a Socialist victory in a national election later this year, and the dispute between Madrid and regional leaders over home rule legislation. The ETA [redacted]

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probably hopes to provoke Madrid into using heavyhanded measures that will alienate the Basques.// [redacted]

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Moreover, the impact of the surge in terrorist activity thus far has been to drive moderate Basques, the military, and national political leaders closer together.// [redacted]

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ZAMBIA-US: Desire To Improve Relations

//Growing economic and political troubles have caused President Kaunda to become more interested in improving Zambia's uneven relations with the US, but if his situation at home continues to worsen, he could shift direction and blame Washington.//

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//Kaunda, after receiving a letter from President Reagan, has told US officials that he wants to resume friendly ties. Bilateral relations reached a low point last summer following Zambia's expulsion of two US diplomats and the arrest of a Foreign Ministry official on charges of spying.//

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//Zambia's Finance Minister describes the current economic situation as the worst since the country gained independence, and Kaunda is anxious to ensure continued US assistance. The latest blow was the collapse last month of Zambia's three-year, \$900 million financing assistance agreement with the IMF. The arrangement, which was concluded only last May, fell apart after Zambia failed to meet performance criteria and rejected a Fund recommendation that it devalue its currency.//

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//A plan by Kaunda to introduce the teaching of "scientific socialism" in Zambian schools has antagonized influential church leaders. The recent election of a militant labor leader to head the restive mineworkers' union could lead to new confrontations between the government and organized labor later this year. In addition, the government is trying to constrain radical students at the University of Zambia and may close the school.//

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Comment: //These economic and political problems are aggravating divisions in the ruling United National Independence Party. Moderates in the party are feuding with increasing frequency with pro-Soviet Zambian officials identified with defense and security chief Zulu.//

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//Kaunda knows that he needs the West, and particularly the US, for help in resolving the Namibian imbroglio as well as for help in coping with Zambia's economic problems. He is subject to abrupt changes in mood, however, and he tends to be suspicious of all the major powers. If conditions deteriorate further, Kaunda probably will again look for scapegoats--especially in the West--to blame for his problems.//

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USSR-CHINA: Trade Protocol Signed

Soviet diplomats in Beijing report that, under the agreement signed last week, bilateral trade between the USSR and China will increase this year by about 20 percent--or approximately \$300 million. The Soviets claim that a separate agreement to open cross-border trade with China's northeast provinces and with Xinjiang Province has greater political implications than the increase in trade. Cross-border trade between northeast China and the Soviet Far East came to a stop during the Cultural Revolution and reportedly was prohibited as recently as mid-February. The Chinese checkpoints on the Soviet border with Xinjiang have been closed since Soviet advisers were withdrawn in the early 1960s, although restrictions on travel to Soviet Central Asia were eased early last month.

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Comment: Both the increase in trade and the cross-border agreement are in line with China's recent decision to allow some relaxation in nonpolitical relationships with Moscow. The additional trade, however, mainly reflects improved Chinese economic performance.

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SOUTH KOREA - US: Anti-American Sentiment Increasing

Christian dissidents singled out the US in two separate propaganda attacks against the Chun government last week. A Protestant-Catholic missionary organization demanded the recall of the US Ambassador and the Commander of US Forces in Korea for remarks attributed to them on internal Korean affairs. A church youth group has also criticized the Ambassador and assailed Washington on imports of US rice and other sensitive bilateral issues. Church-state relations have been aggravated by the arrest of a Catholic priest who admitted sheltering several arson suspects in the firebombing last month of a US facility in Pusan.

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Comment: //Dissidents have increasingly used anti-government statements to attack the US, which many view as being too closely allied to President Chun. The timing of these statements ensures the dissidents maximum publicity before Vice President Bush's visit to South Korea. The government will increase its surveillance to prevent any signs of anti-Americanism during the visit, and it has already begun a media campaign to discredit the dissidents.//

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